

To: Mark Pruitt, Director, Illinois Power Agency
From: Anne McKibbin, Policy Director, CNT Energy
Date: September 10, 2010
Re: CNT Energy's Comments on the Illinois Power Agency's 2011 Draft Electricity Procurement Plan

CNT Energy appreciates this opportunity to comment on the 2011 Draft Electricity Procurement Plan. As a division of the Center for Neighborhood Technology, we have helped consumers and communities obtain the information and services they need to control energy costs and become more energy efficient since 1978. We pioneered residential real time pricing programs in Illinois with the Energy-Smart Pricing PlanSM that ran from 2003 through 2006 and demonstrated that residential customers will reduce peak demand in response to price. Since 2007, we have administered Ameren's Power Smart Pricing program and acted as supplemental administrator for ComEd's Residential Real Time Pricing program.

We are excited to see that the draft plan includes demand response and energy efficiency resources, and agree that these resources "could serve as effective tools in addressing price responsiveness and load shape." (IPA Draft Plan at 15). Indeed, CNT Energy's own program data show that this is true. The draft plan is an excellent step toward robust markets for demand response and energy efficiency in Illinois, and our comments below are intended to clarify and support that effort.

Demand Response Resources

CNT Energy enthusiastically supports the IPA's proposal to procure demand response as an alternative to capacity resources for both Ameren and ComEd. We also appreciate the Agency's interest in obtaining stakeholder input via fall 2010 workshops to establish the scope and nature of the Demand Response in lieu of Capacity Resources event (IPA Draft Plan at 52).

1. Ameren Capacity Resources

We support the IPA's proposal to seek only resources qualified to issue Planning Resource Credits by the Midwest Independent System Operator (MISO). However, we also recommend that the IPA avoid procuring resources that have been bid into MISO's Voluntary Capacity Auction, as detailed in MISO's Module E Business Practice Manual No. 11, Sec. 8. This treatment will assure that Ameren capacity resources are only committed to fulfill obligations created by the IPA procurement. In addition, this treatment is symmetrical to the draft plan's proposal for ComEd capacity resources, which must be qualified by the PJM Interconnection as a capacity resource, but must not be bid into the PJM Reliability Pricing Model system. (IPA Draft Plan at 4).

2. ComEd Capacity Resources

CNT Energy supports the IPA's proposal to seek only resources that are qualified by the PJM Interconnection as a capacity resource, but have not been bid into the PJM Reliability Pricing

Model system. As stated above, we believe that this treatment will ensure that capacity resources are reserved solely for fulfilling the obligations created by the IPA procurement.

Energy Efficiency Resources

Energy efficiency is the cleanest and often, most inexpensive, energy resource. Energy efficiency programs have blossomed in Illinois over the past several years, because of the Illinois Energy Efficiency Portfolio standard, ARRA-funded projects, and private investments. Nonetheless, these programs are still in their infancy. CNT Energy believes that the IPA's proposal to procure energy efficiency resources provides another avenue to fund these valuable programs, and assure that Illinois procures all cost-effective energy efficiency resources. We also appreciate the Agency's interest in obtaining stakeholder input via fall 2010 workshops to establish the scope and nature of the Energy Efficiency as Alternative Resource event (IPA Draft Plan at 32).

1. Eligible Energy Efficiency Resources

The IPA's draft plan states that it "proposes to allow Energy Efficiency from the existing Energy Efficiency Portfolio Standards programs administered by the Utilities to be treated as an energy supply resource." (IPA Draft Plan at 4). While we agree that utility-provided energy efficiency resources are an appropriate part of the IPA's portfolio, we urge the IPA not to limit the resources eligible for procurement to those created through utility programs.

Nonprofit organizations, state agencies, municipalities, and private entities are currently providing energy efficiency programs to customers served by the IPA's procurement portfolio. Any of these programs should be eligible to bid into the IPA's process if it can meet appropriate verification and other requirements necessary to ensure the IPA that these resources substitute for energy. If the IPA's resources or current industry practice does not allow the IPA to evaluate the substitutability of non-utility efficiency resources, CNT Energy suggests that the IPA convene stakeholders, including energy efficiency program providers, to address this problem for future procurement cycles.

2. Interaction Between IPA Procurement and the Energy Efficiency Portfolio Standard

CNT Energy would like utilities to have every opportunity to earn revenues from energy efficiency programs that they would not otherwise implement. As a result, we recommend a limit on the procurement of energy efficiency resources from utility programs, and a specific exception to that limit.

First, CNT Energy recommends that the IPA procure energy efficiency from utility-administered Energy Efficiency Portfolio programs only to the extent that the programs exceed existing legislated targets. The IPA's baseline demand forecasts already factors in utility-administered energy efficiency. This limit on the IPA's procurement will avoid double counting of resources toward both legislative commitments and IPA procurement commitments.

Unfortunately, utilities may be unable to meet their legislated energy efficiency targets without exceeding the associated statutory revenue recovery cap. This situation necessitates an exception to our recommended limit on procuring these resources. In this case, the Commission might relieve a utility of its responsibility to meet the legislated energy efficiency targets. CNT Energy hopes that this situation does not happen. But, if it does, we recommend that the IPA attempt to procure additional energy efficiency, to the extent its procurement timeline allows. In this limited case, we recommend that the IPA procure energy efficiency from utility-administered Energy Efficiency Portfolio programs in amounts that fall below the legislated targets, but exceed any new, lower, targets approved by the Commission.

Suggested Redline Changes

To implement these comments, CNT Energy suggests the following redline changes to the draft procurement plan:

Page 4, para. 2:

• **Products.** The IPA proposes to seek bids for wholesale products for the following periods:

- **Energy Supply Resources** – Supply will be sought for the Ameren and ComEd loads on a laddered three-year forward basis. The IPA proposes to allow Energy Efficiency from programs that are evaluated in a manner equivalent to the existing Energy Efficiency Portfolio Standards programs administered by the Utilities to be treated as an energy supply resource. Price for the products would be negotiated after the closing of the spring 2011 solicitations for the more traditional physical and financial swap products. The IPA will limit its procurement of Utility-administered resources to those resources that are not required to meet the Energy Efficiency Portfolio Standards, or are in excess of any Commission-ordered energy efficiency standards.

- **Capacity Resources** – Consistent with statute³, the IPA will seek Demand Response as an alternative to Capacity Resources for both Utilities:

For Ameren, Demand Response sourced Capacity Resources that are qualified by the Midwest Independent System Operator (“MISO”) to issue Planning Resource Credits (“PRC”), and meet the requirements of the statute, but have not bid into MISO’s Voluntary Capacity Auction, will be sought for the Ameren load on a laddered three-year forward basis. Such assets will be bid into the Ameren Capacity procurement event where selection will be based on a price only basis.

For ComEd, Demand Response that is qualified by the PJM Interconnection (“PJM”) as capacity resources and meet the requirements of the statute, but have not bid into the PJM Reliability Price Model (RPM) system will be solicited. In the absence of qualified bids, the IPA proposes that ComEd meet the Capacity Resources requirements of the IPA load via the RPM system.

Page 32, para. 7:

The IPA believes that the appropriate sources for EEAR bids would be programs that are evaluated in a manner equivalent to the existing Energy Efficiency Portfolio Standard (“EEPS”) programs offered to eligible retail customers in the Ameren service region. The IPA notes that the results of the EEPS programs have been factored into the Ameren load forecasts in a manner similar to that of other pre-existing supply contracts for the past two cycles. Additionally, the EEPS programs are in their third year of operation and operate under an evaluation and oversight regime supervised by the ICC. These two factors lead the IPA to determine that resources provided by the EEPS are reliable.

Similarly, energy efficiency resources that can show that they are evaluated in a manner equivalent to the EEPS programs, and are, consequently, equally reliable, are an appropriate source for EEAR bids. The IPA will also limit its procurement of Utility-administered resources to those resources that are not required to meet the Energy Efficiency Portfolio Standards, or are in excess of any Commission-ordered energy efficiency standards.

Page 36, para. 2:

• **Product.** The IPA recommends procuring Demand Response assets that meet the statute’s definitions and are registered as qualifying Planning Resource Credits (“PRC”) by the Midwest Independent System Operator (“MISO”), but have not bid into MISO’s Voluntary Capacity Auction.

Page 49, para. 2:

The IPA believes that the appropriate sources for EEAR bids would be programs that are evaluated in a manner equivalent to the existing Energy Efficiency Portfolio Standard (“EEPS”) programs offered to eligible retail customers in the ~~ComEd-Ameren~~ service region. The IPA notes that the results of the EEPS programs have been factored into the ComEd load forecasts in a manner similar to that of other pre-existing supply contracts for the past two cycles. Additionally, the EEPS programs are in their third year of operation and operate under an evaluation and oversight regime supervised by the ICC. These two factors lead the IPA to determine that resources provided by the EEPS are reliable.

Similarly, energy efficiency resources that can show that they are evaluated in a manner equivalent to the EEPS programs, and are, consequently, equally reliable, are an appropriate source for EEAR bids. The IPA will also limit its procurement of Utility-administered resources to those resources that are not required to meet the Energy Efficiency Portfolio Standards, or are in excess of any Commission-ordered energy efficiency standards.

Again, thank you for the opportunity to comment on the draft procurement plan. If you have any questions regarding these comments, please feel free to contact Anne McKibbin, Policy Director, at 773-269-2225 or amckibbin@cntenergy.org.